

**DESK REVIEW CHECKLIST
FISCAL YEAR 2015-16
K-12 EDUCATION ENTITIES**

The objective of this review is to ensure that the audit report meets applicable professional reporting standards, the single audit reporting requirements, and the state program compliance requirements included in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, (2015-16 K-12 Audit Guide) published by the Education Audit Appeals Panel, March 1, 2016.

Independent Auditor's Report on the Financial Statements

1. Does the audit report include the *Independent Auditor's Report* on the financial statements? (AU-C §700.22)
2. Does the introductory paragraph of the auditor's report clearly identify whose financial statements have been audited, the title of each statement that the financial statements comprise, either specifically or by reference to the table of contents, and specify the date or period covered? (AU-C §700.25 and AU-C §700.A23)
3. Does the auditor's report include a section with the heading "Management's Responsibility for the Financial Statements?" (AU-C §700.26)
4. Does the auditor's report state that management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America? (AU-C §700.27)
5. Does the auditor's report include a section with the heading "Auditor's Responsibility?" (AU-C §700.29)
6. Does the auditor's report state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit? (AU-C §700.30)
7. Does the auditor's report state that the audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States? (AU-C §700.31 and AU-C §700.42)
8. Does the auditor's report state that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement? (AU-C §700.31)
9. Does the auditor's report include a statement that:
 - a. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements? (AU-C §700.32)
 - b. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of

- expressing an opinion on the effectiveness of the entity's internal control. Accordingly, the auditor expresses no such opinion? (AU-C §700.32)
- c. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements? (AU-C §700.32)
10. Does the auditor's report state whether the auditor believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion? (AU-C §700.33)
11. Does the auditor's report include a section with the heading "Opinion?" (AU-C §700.34)
12. Does the auditor's opinion state whether the financial statements identified in the introductory paragraph are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America? (AU-C §700.A29, .A30 and .A31)
13. If the auditor modifies the opinion on the financial statements:
- a. Does the auditor's report include a paragraph describing the matter giving rise to the modification immediately before the opinion paragraph and use the heading "Basis for Qualified Opinion," "Basis for Adverse Opinion," or "Basis for Disclaimer of Opinion," as appropriate? (AU-C §705.17)
- b. Does the auditor's report include a heading "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion," as appropriate? (AU-C §705.23)
14. If the auditor expresses a qualified opinion due to a material misstatement in the financial statements:
- a. Does the opinion paragraph indicate that, in the auditor's opinion, except for the effects of the matter(s) described in the basis for qualified opinion paragraph, the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America? (AU-C §705.24)
15. If the auditor expresses a qualified opinion due to an inability to obtain sufficient appropriate audit evidence:
- a. Does the opinion paragraph indicate that, in the auditor's opinion, except for the possible effects of the matter(s) described in the basis for qualified opinion paragraph, the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America? (AU-C §705.24)
16. If the auditor expresses an adverse opinion:
- a. Does the opinion paragraph indicate that, in the auditor's opinion, because of the significance of the matter(s) described in the basis for adverse opinion paragraph, the financial statements are not presented fairly in accordance with accounting principles generally accepted in the United States of America? (AU-C §705.25)

17. If the auditor expresses a disclaimer of opinion due to an inability to obtain sufficient appropriate evidence:
- a. Is the introductory paragraph of the auditor's report amended to state that the auditor was engaged to audit the financial statements? (AU-C §705.28)
 - b. Is the description of the auditor's responsibility and the description of the scope of the audit amended to state only the following: "Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter(s) described in the basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion?" (AU-C §705.28)
 - c. Does the opinion paragraph indicate that, because of the significance of the matter(s) described in the basis for disclaimer of opinion paragraph, the auditor has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and accordingly, the auditor does not express an opinion on the financial statements? (AU-C §705.26)
18. Does the auditor's report include a section with the heading "Other Matters," or other appropriate heading? (AU-C §706.08)
19. Does the auditor's report refer to the required supplementary information (RSI)? (AU-C §730.07)
20. Does the auditor's RSI paragraph include required elements, if the entity has presented all or some of the RSI? (AU-C §730.08)
21. Does the auditor's report identify the supplementary information accompanying the financial statements, and if applicable, the *Schedule of Expenditures of Federal Awards* as required by Title 2, *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F—Audit Requirements (Uniform Guidance)? (AU-C §725.09)
22. Does the auditor's report include an opinion on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole? (AU-C §725.09)
23. Does the auditor's report include a section with the heading "Other Reporting Required by *Government Auditing Standards*," or other appropriate heading? (AU-C§ 700.37)
24. Is there a reference to a separate report on internal control over financial reporting and on compliance with provisions of laws, regulations, contracts, grant agreements, and other matters prepared in accordance with *Government Auditing Standards*? (GAGAS 4.19-4.22)
- a. Does the auditor's report include a statement that the purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance? (GAGAS 4.19-4.22)
 - b. Does the auditor's report include a statement that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance? (GAGAS 4.22)

Management's Discussion and Analysis

25. Does the audit report include a *Management's Discussion and Analysis*? (GASB 2200.106)
- a. If the audit report does not contain a *Management's Discussion and Analysis*, is there an explanatory paragraph in the *Independent Auditor's Report*? (AU-C §730.08)

Basic Financial Statements for Charter Schools Identified as Not-For-Profit Entities

26. Is the *Statement of Financial Position* presented properly? (FASB ASC 958-205-45-4)
27. Is the *Statement of Activities* presented properly? (FASB ASC 958-205-45-4)
28. Is the *Statement of Cash Flows* presented properly? (FASB ASC 958-205-45-4)

Basic Financial Statements for All Other Entities (Including Charter Schools) Identified as Governmental Entities

29. Is the *Statement of Net Position* presented properly? (GASB 2200.115)
30. Is the *Statement of Activities* presented properly? (GASB 2200.126)
31. Is the *Balance Sheet – Governmental Funds* presented properly? (GASB 2200.162)
32. Is the *Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position* presented properly? (GASB 2200.160 and GASB 2200.164)
33. Is the *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* presented properly? (GASB 2200.165)
34. Is the *Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities* presented properly? (GASB 2200.160 and GASB 2200.169)
35. Is the *Statement of Fund Net Position – Proprietary Funds* presented properly? (GASB 2200.170 and GASB 2200.172)
36. Is the *Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds* presented properly? (GASB 2200.170 and GASB 2200.190)
37. Is the *Statement of Cash Flows – Proprietary Funds* presented properly? (GASB 2200.170 and GASB 2200.195)
38. Is the *Statement of Fiduciary Net Position – Fiduciary Funds* presented properly? (GASB 2200.196 and GASB 2200.197)
39. Is the *Statement of Changes in Fiduciary Net Position – Fiduciary Funds* presented properly? (GASB 2200.196 and GASB 2200.198)

Notes to the Financial Statements for Charter Schools Identified as Not-For-Profit Entities

40. Do the notes include a description of the nature of the entity's activities? (FASB ASC 958-205-50-1)
41. Do the notes include the summary of significant accounting policies? (FASB ASC 235-10-50-1)

42. Does the summary include a description of the financial statements presentation and basis of accounting? (FASB ASC 235-10-50-1 and FASB ASC 235-10-50-3)
43. Does the summary include relevant information about the nature and amount of limitations on the use of cash and cash equivalents? (FASB ASC 958-210-45-7)
44. Does the summary include adequate disclosure of revenue recognition? (FASB ASC 958-605-50-1 and FASB ASC 235-10-50-3)
45. Do the notes include adequate disclosure of income tax status, noting the Internal Revenue Code section under which it is exempt from federal income taxes or excise taxes? (FASB ASC 740)
46. Do the notes include a description of net assets and information about the nature and amounts of different types of permanent restrictions or temporary restrictions? (FASB ASC 958-210-45 and FASB ASC 958-210-45-9)
47. Do the notes include adequate disclosure of capital assets and depreciation, including the method used to compute depreciation? (FASB ASC 958-360-50-1 and FASB ASC 235-10-50-3)
48. Do the notes include adequate disclosure of investments? (FASB ASC 958-320-50, FASB ASC 958-325-50, and FASB ASC 825-10-50)
49. Do the notes include adequate disclosure of fair value measurements? (FASB ASC 820-10-50)
50. Do the notes include adequate disclosure of debt and other liabilities? (FASB ASC 470-10-50)
51. Do the notes include adequate disclosure of related-party transactions and common control? (FASB ASC 850-10-50)
52. Do the notes include adequate disclosure of pension benefits? (FASB ASC 715-80-50)
53. Do the notes include adequate disclosure of postretirement benefits other than pensions? (FASB ASC 715-80-50-11)

Notes to the Financial Statements for Entities (Including Charter Schools) Identified as Governmental Entities

54. Do the notes include the summary of significant accounting policies? (GASB 2300.106)
55. Does the summary include a description of the government-wide financial statements, noting the exclusion of fiduciary funds? (GASB 2300.106)
56. Does the summary include a description of the component units, their relationships to the primary government, and how to obtain separate financial statements for component units? (GASB 2300.106)
57. Do the notes include the nature of the primary government's accountability for related organizations and joint ventures, if any? (GASB 2300.107)
58. Do the notes include the measurement focus and basis of accounting used in the government-wide and fund financial statements? (GASB 2300.106)

59. Do the notes disclose the fund balance classification policies and procedures related to committed and assigned fund balances? (GASB 2300.106 and GASB1800.183)
60. Do the notes disclose the policy regarding whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used? (GASB 1800.178 and GASB 1800.183)
61. Do the notes include adequate disclosure of capital assets and depreciation, including the method used to compute depreciation? (GASB 2300.106 and GASB 2300.118)
62. Do the notes include adequate disclosure of long-term liabilities, including a schedule of changes in long-term debt and a statement of debt service requirements to maturity for outstanding long-term debt? (GASB 2300.106 and GASB 2300.120)
63. Do the notes disclose deficit fund balances or net position of individual funds, if not apparent on the face of the financial statements? (GASB 2300.106)
64. Do the notes include adequate disclosures for pension obligations? (GASB 2300.106 and GASB Section P20)
- a. Do the notes disclose the total of the employer's pension liabilities, pension assets, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense/expenditures, if amounts are not identifiable from information in the financial statements? (GASB P20.172)
 - b. Pension plan description: (GASB P20.174)
 - 1) Name of the pension plan, identification of the public employee retirement system and identification of the pension plan?
 - 2) Benefit terms, including (1) the classes of employees covered; (2) the types of benefits; (3) the key elements of the pension formulas?
 - 3) Brief description of contribution requirements, including the basis for determining the employer's contributions to the pension plan?
 - 4) Whether pension plan issues a stand-alone financial report that is available to the public and, if so, how to obtain it?
 - c. Employer's proportionate share of the collective net pension liability:
 - 1) Actuarial assumptions used to measure the total pension liability? (GASB P20.175)
 - 2) Discount rate information: (GASB P20.176)
 - a) Discount rate applied in the measurement of the total pension liability?
 - b) Projected cash flows for contributions?
 - c) Long-term expected rate of return and how it was determined?
 - d) Assumed asset allocation of the pension plan's portfolio and the long-term expected real rate of return for each major asset class?
 - e) Net pension liability measured at a discount rate one percentage point higher and one percentage point lower?

- d. Pension plan's fiduciary net position information? (GASB P20.177)
- 65. Do the notes include adequate disclosure of other postemployment benefits? (GASB 2300.106)
- 66. If the Local Education Agency (LEA) is participating in the early retirement incentive program in accordance with California Education Code (EC) section 14502.1(c) requirements, do the notes include disclosure of the LEA's participation?
 - a. Does the early retirement note include all of the required disclosures? (2015-16 K-12 Audit Guide, Part J, Early Retirement Incentive, 4):
 - 1) The number and type of positions vacated?
 - 2) The age and service credit of the retirees receiving the additional service credit provided by EC sections 22714 and 44929?
 - 3) A comparison of the salary and benefits of each retiree receiving the additional service credit with the salary and benefits of the replacement employee, if any?
 - 4) The resulting retirement cost, including interest, if any, and post-retirement health care benefits costs, incurred by the employer?
- 67. Do the notes adequately disclose material prior-period restatements or adjustments? (GASB 2250.125 and GASB 2300.107)

Required Supplementary Information Section

- 68. Does the audit report include a schedule of budgetary comparison data for the General Fund and any major special revenue funds that have legally adopted budgets? (GASB 2200.206)
 - a. Is the schedule of budgetary comparison shown by object? (2015-16 K-12 Audit Guide, Report Components 3.)
- 69. Does the audit report include a schedule of the entity's proportionate share of the net pension liability for each pension plan? (GASB P20.179a)
- 70. Does the audit report include a schedule of the entity's contributions for each pension plan? (GASB P20.179b)

Supplementary Information Section

- 71. Does the supplementary information section include a *Local Education Agency Organization Structure* description? (2015-16 K-12 Audit Guide, Report Components 4.a.)
 - a. Does the LEA organizational structure description include the required information? (2015-16 K-12 Audit Guide, Report Components 4.a.)
- 72. Does the supplementary information section include a *Schedule of Average Daily Attendance*? (2015-16 K-12 Audit Guide, Report Components 4.b.)
 - a. Does the *Schedule of Average Daily Attendance* include all required information? (2015-16 K-12 Audit Guide, Report Components 4.b.)
 - b. If the school district or county office of education includes a charter school(s) in the financial statements, does the *Schedule of Average Daily Attendance* include the ADA

detail for each charter school? (2015-16 K-12 Audit Guide, Report Components 4.b.)

- c. For charter schools, does the *Schedule of Average Daily Attendance* include total ADA and the ADA generated through classroom-based instruction by grade span, as appropriate? (2015-16 K-12 Audit Guide, Report Components 4.b.)
- d. If there are any ADA adjustments due to audit findings, does the schedule display additional columns for the Second Period and Annual reports reflecting the final ADA after audit finding adjustments, shown by grade span? (2015-16 K-12 Audit Guide, Report Components 4.b.)

73. Does the supplementary information section include a *Schedule of Instructional Time*? (2015-16 K-12 Audit Guide, Report Components 4.c.)

a. For School Districts, including Basic Aid Districts:

- If the district met or exceeded its Local Control Funding Formula (LCFF) target or participated in longer-day funding, does the schedule include, by grade level, the number of instructional minutes specified in EC section 46207(a) or 46201(b) and the district's required instructional minutes as set forth in the 2015-16 K-12 Audit Guide Part F, Instructional Time, as applicable? (2015-16 K-12 Audit Guide, Report Components 4.c.1))
 - Kindergarten, 36,000 minutes
 - Grades 1 to 3, inclusive, 50,400 minutes
 - Grades 4 to 8, inclusive, 54,000 minutes
 - Grades 9 to 12, inclusive, 64,800 minutes
- If the district did not meet or exceeded its LCFF target and did not participate in longer-day funding, does the schedule include, by grade level, the number of instructional minutes offered in the 1982-83 year, and the district's required instructional minutes as calculated in the 2015-16 K-12 Audit Guide Part F, Instructional Time, as applicable? (2015-16 K-12 Audit Guide, Report Components 4.c.2)
- Does the schedule include the instructional minutes offered during the year audited showing the school with the lowest number of minutes offered at each grade level? (2015-16 K-12 Audit Guide, Report Components 4.c.3)
- Does the schedule include the number of instructional days offered during the year audited on the traditional calendar and on any multitrack year-round calendar; and does it state whether the district complied with the instructional minutes and days provisions? (2015-16 K-12 Audit Guide, Report Components 4.c.4)
- Does the schedule include a note stating whether the district participated in longer-day incentives and whether the district met or exceeded its LCFF target funding? (2015-16 K-12 Audit Guide, Report Components 4.c.4)
- If the schedule indicates noncompliance with time requirements, is a finding included in the *Schedule of Findings and Questioned Costs*? The finding must include a separate schedule for each school, showing only those grade levels that were not in compliance, and calculate the penalty or penalties pursuant to EC section 41420,

46200, 46201, 46202, 46207, and 46208. (2015-16 K-12 Audit Guide Part F, Instructional Time)

b. For Classroom Based Charter Schools:

- Does the schedule include, by grade level, the number of instructional minutes specified in EC section 47612.5? (2015-16 K-12 Audit Guide, Report Components 4.c.5)
 - Kindergarten, 36,000 minutes
 - Grades 1 to 3, inclusive, 50,400 minutes
 - Grades 4 to 8, inclusive, 54,000 minutes
 - Grades 9 to 12, inclusive, 64,800 minutes
- Does the schedule include, by grade level, the number of instructional minutes offered during the year audited showing the school location with the lowest number of minutes offered?
- Does the schedule include, by grade level, the number of instructional days offered during the year audited on the traditional calendar and on any multitrack calendar; and does it state whether the charter school complied with the instructional minutes and days provisions?
- If the school district or county office of education includes a charter school(s) in the financial statements, does the schedule include all required information for each charter school?
- If the schedule indicates noncompliance with time requirements, is a finding included in the *Schedule of Findings and Questioned Costs*? The finding must include a separate schedule for each site showing only those grade levels that were not in compliance, and calculate the penalty or penalties pursuant to EC 47612.5. (2015-16 K-12 Audit Guide Part EE, Annual Instructional Minutes – Classroom Based)

74. Does the supplementary information section include a *Schedule of Financial Trends and Analysis*? (2015-16 K-12 Audit Guide, Report Components 4.d.)

- a. If the LEA's percentage of available reserves to total general fund outgo is below the state-recommended percentage, has management's plans for increasing the LEA's available reserve percentage been included? (2015-16 K-12 Audit Guide, Report Components 4.d.)

75. Does the supplementary information section include a *Reconciliation of Annual Financial and Budget Report With Audited Financial Statements*? (2015-16 K-12 Audit Guide, Report Components 4.e.)

76. Does the supplementary information section include a *Schedule of Charter Schools*? (2015-16 K-12 Audit Guide, Report Components 4.g.)

- a. Does the schedule display information for each charter school on whether or not the charter school is included in the school district or county office of education annual audit report? (2015-16 K-12 Audit Guide, Report Components 4.g.)

77. Does the supplementary information section include a *Schedule of Expenditures of Federal Awards*? [Uniform Guidance §200.510(b)) and 2015-16 K-12 Audit Guide, Report Components 4.h.]

78. Does the schedule identify/include:

- a. Individual federal programs by federal agency? For a cluster of programs, the cluster name, individual federal programs within the cluster of programs, and the applicable federal agency name? For R & D, total federal awards expended shown either by individual federal award or by federal agency and major subdivision within the federal agency? [Uniform Guidance §200.510(b)(1)]
- b. For federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity? [Uniform Guidance §200.510(b)(2)]
- c. Total federal awards expended for each individual federal program and the *Catalog of Federal Domestic Assistance* (CFDA) number or other identifying number when the CFDA information is not available? For a cluster of programs, the total for the cluster? [Uniform Guidance §200.510(b)(3)]
- d. Total amount provided to subrecipients from each federal program? [Uniform Guidance §200.510(b)(4)]
- e. Total federal awards expended for loan or loan guarantee programs? [Uniform Guidance §200.510(b)(5)]

79. Do the notes to the schedule include:

- a. The balances of loan and loan guarantee programs (loans) outstanding at the end of the audit period for those loans described in 2 CFR 200.502(b)? [Uniform Guidance §200.510(b)(5)]
- b. The significant accounting policies used in preparing the schedule, and whether or not the auditee elected to use the 10% de minimis cost rate? [Uniform Guidance §200.510(b)(6)]

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

80. Does the audit report include the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*? (GAGAS 4.19)

81. Does the auditor's report on internal control over financial reporting and on compliance and other matters include:

- a. A title that includes the word *independent*? [AU-C §806.12(a)]
- b. A statement that the financial statements were audited in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States and the date of the auditor's report on those financial statements? [AU-C §806.12(c), and GAGAS 4.18]
- c. If the auditor expressed a modified opinion (a qualified opinion, an adverse, or a

disclaimer of opinion) on the financial statements, a description of the nature of the modification? [AU-C §806.12(d)]

- d. The definition of the term *material weakness* and, when relevant, the definition of the term *significant deficiency*? [AU-C §265.14(a)]
- e. A description of the significant deficiencies and material weaknesses and an explanation of their potential effects? [AU-C §265.14(b)]
- f. Sufficient information to enable those charged with governance and management to understand the context of the communication? Does the auditor include the following elements that explain that:
 - 1) The purpose of the audit was for the auditor to express an opinion on the financial statements? [AU-C §265.14(c)(i)]
 - 2) The audit included consideration of internal control over financial reporting in order to design audit procedures that are appropriate in the circumstances but not for the purpose expressing an opinion on the effectiveness of internal control? [AU-C §265.14(c)(ii)]
 - 3) The auditor is not expressing an opinion on the effectiveness of internal control? [AU-C §265.14(c)(iii)]
 - 4) The auditor's consideration of internal control was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified? [AU-C §265.14(c)(iv)]
- g. A statement that, as part of obtaining reasonable assurance about whether the entity's financial statements are free of material misstatement, the auditor performed tests of the entity's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts? (GAGAS 4.19)
- h. A statement that providing an opinion on compliance with those provisions was not an objective of the audit and that, accordingly, the auditor does not express such an opinion? (GAGAS 4.20)
- i. A statement that identifies whether the results of tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and, if so, describes the instances of noncompliance and other matters (including the views of responsible officials and their planned corrective action) or refers to the *Schedule of Findings and Questioned Costs* in which the noncompliance and other matters, views of responsible officials, and their planned corrective action are described? (GAGAS 4.19, 4.23)
- j. An alert describing the purpose of the auditor's report and that the report is not suitable for any other purpose? (AU-C §905.11)

Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance

The *Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance* is required if total federal award expenditures equaled or exceeded \$750,000.

82. Does the audit report include the *Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance*? (AU-C §935.30 and AU-C §935.31)
83. Does the auditor's report on compliance for each major federal program and on internal control over compliance required by Uniform Guidance include:
- a. A title that includes the word *independent*? [AU-C §935.30(a)]
 - b. An introductory paragraph that includes the following:
 - 1) Identification of one or more government programs covered by the compliance audit or reference to a separate schedule containing that information? [AU-C §935.30(c)(i)]
 - 2) Identification of the applicable compliance requirements or a reference to where they can be found? [AU-C §935.30(c)(ii)]
 - 3) Identification of the period covered by the report? [AU-C §935.30(c)(iii)]
 - c. A section with the heading "Management's Responsibility" that includes a statement that management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to its federal programs? [AU-C §935.30(d) and Uniform Guidance §200.515(c)]
 - d. A section with the heading "Auditor's Responsibility" that includes the following:
 - 1) A statement that the auditor's responsibility is to express an opinion on the entity's compliance with the applicable compliance requirements based on the compliance audit? [AU-C §935.30(e)(i)]
 - 2) A statement that the compliance audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and the audit requirements of Title 2, *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)? [AU-C §935.30(e)(ii)]
 - 3) A statement that the compliance audit included examining, on a test basis, evidence about the entity's compliance with those requirements and performing such other procedures as the auditor considered necessary in the circumstances? [AU-C §935.30(e)(iii)]
 - 4) A statement that the auditor believes the compliance audit provides a reasonable basis for the auditor's opinion? [AU-C §935.30(e)(iv)]

- 5) A statement that the compliance audit does not provide a legal determination of the entity's compliance? [AU-C §935.30(e)(v)]
- e. If noncompliance results in a modified opinion, a section with an appropriate heading, indicating the basis for the modified opinion that includes a description of such noncompliance, or a reference to a description of such noncompliance in the *Schedule of Findings and Questioned Costs*? [AU-C §935.30(f)]
- f. A section with the heading "Opinion" that includes the auditor's opinion, at the level specified by the governmental audit requirement, on whether the entity complied, in all material respects, with the applicable compliance requirements? [AU-C §935.30(g)]
- g. If other noncompliance that is required to be reported by the governmental audit requirement is identified (that is, noncompliance that does not result in a modified opinion), an other-matter paragraph that includes a description of such noncompliance or a reference to a description of such noncompliance in the *Schedule of Findings and Questioned Costs*? [AU-C §935.30(h)]
- h. A section with the heading "Internal Control Over Compliance" that includes the following:
- 1) A statement that management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, rules, and provisions of contracts or grant agreements applicable to federal programs? [AU-C §935.31(a)]
 - 2) A statement that in planning and performing the compliance audit, the auditor considered the entity's internal control over compliance with the applicable compliance requirements to determine the auditing procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance? [AU-C §935.31(b)]
 - 3) A statement that the auditor is not expressing an opinion on the internal control over compliance? [AU-C §935.31(c)]
 - 4) A statement that the auditor's consideration of the entity's internal control over compliance was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses in internal control over compliance? [AU-C §935.31(d)]
 - 5) The definition of *deficiency in internal control over compliance* and *material weakness in internal control over compliance*? [AU-C §935.31(e)]
 - 6) A description of any identified material weaknesses in internal control over compliance or a reference to the *Schedule of Findings and Questioned Costs* containing such information? [AU-C §935.31(f)]
 - 7) If significant deficiencies in internal control over compliance were identified, the definition of *significant deficiency in internal control over compliance* and a description of the deficiencies or a reference to the *Schedule of Findings and Questioned Costs* containing such a description? [AU-C §935.31(g)]

- 8) If no material weaknesses in internal control over compliance were identified, a statement to that effect? [AU-C §935.31(h)]
- i. An alert describing the purpose of the auditor's report and that the report is not suitable for any other purpose? (AU-C §905.11)

State Compliance Report

84. Does the audit report include the *Independent Auditor's Report on State Compliance*? (2015-16 K-12 Audit Guide, Report Components 5.b.)

85. Does the auditor's report on state compliance include:

- a. A title that includes the word *independent*? [AU-C §935.30(a)]
- b. An introductory paragraph that includes the following:
 - 1) Identification of the applicable compliance requirements or a reference to where they can be found? [AU-C §935.30(c)(ii)]
 - 2) Identification of the period covered by the report? [AU-C §935.30(c)(iii)]
- c. A section with the heading "Management's Responsibility" that includes a statement that compliance with the applicable compliance requirements is the responsibility of the entity's management? [AU-C §935.30(d)]
- d. A section with the heading "Auditor's Responsibility" that includes the following statements:
 - 1) A statement that the auditor's responsibility is to express an opinion on the entity's compliance with the applicable compliance requirements based on the compliance audit? [AU-C §935.30(e)(i)]
 - 2) A statement that the compliance audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and 2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, prescribed in Title 5, *California Code of Regulations*, section 19810? [AU-C §935.30(e)(ii)]
 - 3) A statement that the compliance audit included examining, on a test basis, evidence about the entity's compliance with those requirements and performing such other procedures as the auditor considered necessary in the circumstances? [AU-C §935.30(e)(iii)]
 - 4) A statement that the auditor believes that the compliance audit provides a reasonable basis for the auditor's opinion? [AU-C §935.30(e)(iv)]
 - 5) A statement that the compliance audit does not provide a legal determination of the entity's compliance? [AU-C §935.30(e)(v)]
- e. If noncompliance results in a modified opinion, a section with an appropriate heading, indicating the basis for the modified opinion that includes a description of such

noncompliance, or a reference to a description of such noncompliance in the *Schedule of Findings and Questioned Costs*? [AU-C §935.30(f)]

- f. A section with the heading “Opinion” that includes the auditor’s opinion, at the level specified by the governmental audit requirement, on whether the entity complied, in all material respects, with the applicable compliance requirements? [AU-C §935.30(g)]
- g. If other noncompliance that is required to be reported by the governmental audit requirement is identified (that is, noncompliance that does not result in a modified opinion), an other-matter paragraph that includes a description of such noncompliance, or a reference to a description of such noncompliance in the *Schedule of Findings and Questioned Costs*? [AU-C §935.30(h)]

86. Does the report include a list of the compliance requirements that were required to be audited? [AU-C §935.30(c)(i) and 2015-16 K-12 Audit Guide, Report Components 5.b.]

Local Education Agencies Other Than Charter Schools

- Attendance
- Teacher Certification and Misassignments
- Kindergarten Continuance
- Independent Study
- Continuation Education
- Instructional Time
- Instructional Materials
- Ratios of Administrative Employees to Teachers
- Classroom Teacher Salaries
- Early Retirement Incentive
- Gann Limit Calculation
- School Accountability Report Card
- Juvenile Court Schools
- Middle or Early College High Schools
- K-3 Grade Span Adjustment
- Transportation Maintenance of Effort

School Districts, County Offices of Education, and Charter Schools

- Educator Effectiveness
- California Clean Energy Jobs Act
- After School Education and Safety Program
- Proper Expenditure of Education Protection Account Funds
- Unduplicated Local Control Funding Formula Pupil Counts
- Local Control and Accountability Plan
- Independent Study-Course Based
- Immunizations

Charter Schools

- Attendance
- Mode of Instruction

- Nonclassroom-Based Instruction/Independent Study for Charter Schools
- Determination of Funding for Nonclassroom-Based Instruction
- Annual Instructional Minutes - Classroom Based
- Charter School Facility Grant Program

87. Does the report state whether audit procedures were performed and include an explanation when required audit procedures were not performed? (2015-16 K-12 Audit Guide, Report Components 5.b.)

Findings and Recommendations Section

88. Does the report include the *Schedule of Findings and Questioned Costs*? (2015-16 K-12 Audit Guide, Report Components 6.a.)

89. If this is a single audit, does the *Schedule of Findings and Questioned Costs* include the *Summary of Auditor's Results*? [Uniform Guidance §200.515(d)(1)]

90. Does the *Summary of Auditor's Results* include the following elements:

a. Financial Statements

- 1) Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP (unmodified, qualified, adverse, or disclaimer)? [Uniform Guidance §200.515(d)(1)(i)]
- 2) Internal control over financial reporting: Material weakness(es) identified (yes or no)? [Uniform Guidance §200.515(d)(1)(ii)]
- 3) Internal control over financial reporting: Significant deficiency(ies) identified (yes or none reported)? [Uniform Guidance §200.515(d)(1)(ii)]
- 4) Noncompliance material to financial statements noted (yes or no)? [Uniform Guidance §200.515(d)(1)(iii)]

b. Federal Awards

- 1) Internal control over major federal programs: Material weakness(es) identified (yes or no)? [Uniform Guidance §200.515(d)(1)(iv)]
- 2) Internal control over major federal programs: Significant deficiency(ies) identified (yes or none reported)? [Uniform Guidance §200.515(d)(1)(iv)]
- 3) Type of report the auditor issued on compliance for major programs (unmodified, qualified, adverse, or disclaimer)? [Uniform Guidance §200.515(d)(1)(v)]
- 4) Any audit findings disclosed that are required to be reported under §200.516 Audit Findings paragraph (a) (yes or no)? [Uniform Guidance §200.515(d)(1)(vi)]
- 5) Identification of major programs (CFDA number and name of Federal program or cluster)? [Uniform Guidance §200.515(d)(1)(vii)]
- 6) Dollar threshold used to distinguish between type A and type B programs? [Uniform Guidance §200.515(d)(1)(viii)]
- 7) Auditee qualified as low-risk auditee (yes or no)? [Uniform Guidance §200.515(d)(1)(ix)]

91. If financial statement findings are identified, does each finding include the following elements:
- a. Criteria? (GAGAS 4.11)
 - b. Condition? (GAGAS 4.12)
 - c. Cause? (GAGAS 4.13)
 - d. Effect or potential effect? (GAGAS 4.14)
 - e. Recommendation? (GAGAS 4.28)
 - f. Views of responsible officials and planned corrective actions? (GAGAS 4.33 and GAGAS 4.35)
92. If federal award audit findings are identified, does each finding include the following elements: [Uniform Guidance §200.516(b)]
- a. Federal program and specific federal award identification, including the CFDA title and number, federal award identification number and year, name of federal agency, and name of the pass-through entity, if applicable? [Uniform Guidance §200.516(b)(1)]
 - b. The criteria or specific requirement upon which the audit finding is based, including the federal statutes, regulations, or the terms and conditions of the federal awards? [Uniform Guidance §200.516(b)(2)]
 - c. The condition found, including facts that support the deficiency identified in the audit finding? [Uniform Guidance §200.516(b)(3)]
 - d. The statement of cause, identifying the reason or explanation for the condition or the factors responsible for the finding? [Uniform Guidance §200.516(b)(4)]
 - e. The possible asserted effect to provide sufficient information to the auditee and federal agency, or pass-through entity in the case of a subrecipient, to permit them to determine the cause and effect to facilitate prompt and proper corrective action? [Uniform Guidance §200.516(b)(5)]
 - f. Identification of questioned costs and how they were computed; known questioned costs identified by applicable CFDA number(s) and applicable federal award identification number(s)? [Uniform Guidance §200.516(b)(6)]
 - e. Information to provide proper perspective for judging the prevalence and consequences of the audit finding, such as whether the audit finding represents an isolated instance or a systemic problem? Where appropriate, instances identified are related to the universe and the number of cases examined and quantified in terms of dollar value; and include a statement whether the sampling was a statistically valid sample? [Uniform Guidance §200.516(b)(7)]
 - g. Identification of whether the audit finding was a repeat of a finding in the immediately prior audit and, if so, the applicable prior-year audit finding number(s)? [Uniform Guidance §200.516(b)(8)]
 - h. Recommendations to prevent future occurrences of the deficiency identified in the audit finding? [Uniform Guidance §200.516(b)(9)]

- i. Views of responsible officials of the auditee? [Uniform Guidance §200.516(b)(10)]
- j. A reference number in the format (201X-XXX) meeting the requirements of the data collection form submission required by §200.512 Report submission, paragraph (b)? [Uniform Guidance §200.516(c)]

93. If state compliance findings are identified, does each finding include the following elements:

- a. State program or funding source? (2015-16 K-12 Audit Guide, Report Components 6.a.)
- b. Criteria? (2015-16 K-12 Audit Guide, Report Components 6.a.1)
- c. Condition? (2015-16 K-12 Audit Guide, Report Components 6.a.2)
- d. Effect? (2015-16 K-12 Audit Guide, Report Components 6.a.3)
- e. Cause? (2015-16 K-12 Audit Guide, Report Components 6.a.4)
- f. A statement of the number of units of ADA, by grade span, if any, that were determined to have been inappropriately reported for apportionment and an estimate of their dollar value? (2015-16 K-12 Audit Guide, Report Components 6.a.5)
- g. A statement (which may include questioned costs) consistent with its basis of funding, for any inappropriately reported claim-such as number of unduplicated LCFF pupil counts or the dollar amount of inappropriate expenditures for restricted program? (2015-16 K-12 Audit Guide, Report Components 6.a.5)
- h. A recommendation for the resolution of the finding? (2015-16 K-12 Audit Guide, Report Components 6.a.6)
- i. A corrective action plan prepared by the auditee that describes in specific terms the actions planned or taken to correct the problem, or a statement from the auditee that the corrective action recommended by the auditor is not necessary or appropriate and giving the specific reasons why, if that is the case, and a statement that the corrective action plan was not available if no corrective action plan was submitted before the audit report was prepared? (2015-16 K-12 Audit Guide, Report Components 6.a.7)

94. Does each finding include the appropriate five-digit code number(s)? (2015-16 K-12 Audit Guide, Report Components 6.a.)

10000 Attendance
 20000 Inventory of Equipment
 30000 Internal Control
 40000 State Compliance
 42000 Charter School Facilities Programs
 50000 Federal Compliance
 60000 Miscellaneous
 61000 Classroom Teacher Salaries
 62000 Local Control Accountability Plan
 70000 Instructional Materials
 71000 Teacher Misassignments
 72000 School Accountability Report Card

95. Does the audit report include the *Schedule of Prior Audit Findings*? (2015-16 K-12 Audit Guide, Report Components 6.b.)

Other

96. Do the auditor's reports include the manual or printed signature of the auditor's firm, the name of the city and state where the auditor practices, and the date of the report? [AU-C §700.39, .40, and .41; §806.12(k) and (l); §935.30(j), (k), and (l)]

Authoritative References

FASB-ASC – Financial Accounting Standards Board *Accounting Standards Codification*

AU-C – AICPA *Codification of Statements on Auditing Standards*

GAGAS – *Government Auditing Standards* – 2011 Revision (Yellow Book)

GASB – Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*

2015-16 K-12 Audit Guide – *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810

Uniform Guidance – Title 2, *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F—Audit Requirements